

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

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In the Matter of

**CERTAIN FLASH MEMORY CIRCUITS
AND PRODUCTS CONTAINING SAME**

Investigation No. 337-TA-382

**NOTICE OF COMMISSION DECISION TO REVIEW PORTIONS OF AN INITIAL
DETERMINATION, NOT TO REVIEW THE REMAINDER OF THE INITIAL
DETERMINATION, AND SCHEDULE FOR FILING OF WRITTEN SUBMISSIONS ON
THE ISSUES UNDER REVIEW AND ON REMEDY, THE PUBLIC INTEREST, AND
BONDING**

AGENCY: U.S. International Trade Commission.

ACTION: Notice.

SUMMARY: Notice is hereby given that the U.S. International Trade Commission has determined to review portions of the final initial determination issued by the presiding administrative law judge on February 26, 1997, in the above-captioned investigation, and not to review the remainder of the initial determination.

FOR FURTHER INFORMATION CONTACT: Carl P. Bretscher, Esq., Office of the General Counsel, U.S. International Trade Commission, telephone (202) 205-3107.

SUPPLEMENTAL INFORMATION: The Commission instituted this patent-based section 337 investigation on February 20, 1996 (61 *Fed. Reg.* 7122 (Feb. 20, 1996)) based on a complaint and motion for temporary relief filed by SanDisk Corp. ("SanDisk") of Santa Clara, California. Complainant SanDisk alleged violation of section 337 in the importation, sale for importation, and/or sale within the United States after importation of certain flash memory circuits and products containing same, by reason of infringement of claims 1, 2, 3, and 4 of U.S. Letters Patent 5,418,752 (the "'752 patent") and/or claims 27, 32, and 44 of U.S. Letters Patent 5,172,338 (the "'338 patent"), both owned by complainant. The Commission's notice of investigation named Samsung Electric Co., Ltd. of Seoul, Korea and Samsung Semiconductor, Inc. of San Jose, California (collectively, "Samsung") as respondents.

The scope of the investigation was subsequently narrowed to cover only claims 1, 2, and 4 of the '752 patent and claim 27 of the '338 patent. The presiding administrative law judge ("ALJ") held an evidentiary hearing on the merits, which concluded on October 4, 1996. The ALJ issued his final initial determination ("ID") on February 26, 1997, in which he found:

(1) there have been importations and sales after importation of the accused products; (2) respondents did not demonstrate by clear and convincing evidence that claims 1, 2, or 4 of the '752 patent or claim 27 of the '338 patent are invalid; (3) respondents' so-called "original" design products infringe claims 1, 2, and 4 of the '752 patent; (4) all of respondents' products at issue infringe claim 27 of the '338 patent; and (5) complainant satisfied the domestic industry requirements of section 337. The ALJ declined to determine whether respondents' so-called "new" design products infringe the '752 patent, citing in part inadequacies in the documentation produced by respondents. Based on these findings, the ALJ concluded there was a violation of section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337).

Having examined the record in this investigation, including the ID, the Commission has determined to review the following two issues: (1) whether the ALJ erred in finding that respondents could be held liable for contributory or induced infringement of claims 1, 2, and 4 of the '752 patent; and (2) whether the ALJ erred in declining to determine whether respondents' new design products infringe claims 1, 2, and 4 of the '752 patent. The Commission has determined not to review the remainder of the ID; thus, the Commission has found a violation of section 337, regardless of the eventual resolution of the two issues identified for review, based on the ALJ's finding that Samsung's original design products infringe the '752 patent and that all of Samsung's product at issue infringe the '338 patent. The Commission has also determined to deny a motion filed by Samsung for leave to file a reply to the responses filed by SanDisk and the Commission investigative attorneys to Samsung's petition for review. The Commission's rules do not provide for such replies, and the Commission sees no reason to make an exception here. On review, the Commission is particularly interested in receiving answers to the following questions.

I. Regarding the ALJ's findings on contributory and induced infringement of the '752 patent:

1. Is there sufficient evidence of record to find that Samsung may be held liable as a contributory infringer of the '752 patent? In answering this question, the parties should discuss whether the evidence shows any direct infringement by one of Samsung's customers, whether Samsung knew that the products it was selling contributed to such infringement, whether Samsung's products have substantial non-infringing uses, and any other relevant issues. The parties should also clearly identify the Samsung products involved in any such contributory infringement.
2. Is there sufficient evidence of record to find that Samsung may be held liable as having induced infringement of the '752 patent? In answering this question, the parties should discuss whether the evidence shows any direct infringement by one of Samsung's customers, whether Samsung had knowledge of such infringement, whether Samsung actively induced the party to infringe the '752 patent, and any other issues relevant to this question. The parties should also clearly identify the Samsung products involved in any such induced infringement.

3. If a controller were required to practice the '752 patent, as assumed *arguendo* by the ALJ in his footnote 85 on page 109 of the ID, would this affect the ALJ's finding that SanDisk has met the domestic industry requirement with respect to the '752 patent, and if so, how?

II. Regarding the ALJ's decision not to determine whether Samsung's new design products infringe the '752 patent:

1. During this investigation, did SanDisk allege that Samsung's new design products infringe the '752 patent? If so, did SanDisk ever communicate to Samsung and/or the ALJ that it was withdrawing this allegation? In addressing this question, the parties should identify both Samsung's new and original products by their serial numbers, such as those given on page 11 of the ALJ's final ID.
2. When during this investigation did SanDisk receive documentation from Samsung regarding the new design products? When did SanDisk become aware that this documentation was (allegedly) inaccurate or inadequate for the purpose of determining whether Samsung's new design products infringe the '752 patent?
3. What actions, such as filing motions to compel production or for sanctions, did SanDisk take to require Samsung to produce more accurate or sufficient information regarding Samsung's new design products? When did SanDisk take such action? Did SanDisk ever ask the ALJ to draw inferences adverse to Samsung on the basis of Samsung's alleged unwillingness to produce accurate and complete documentation on its new design products? If SanDisk did not take any such actions, why did it not? What was Samsung's response to such actions, if any?
4. What information does SanDisk believe it needs, but has not yet received, in order to determine whether Samsung's new design products infringe the '752 patent? Is it SanDisk's position that it could not have received such information prior to the hearing, or is it SanDisk's position that it did not receive such information from Samsung?
5. Based on the documents produced by Samsung and any other relevant materials, does the record show that SanDisk's or Samsung's experts made any determination as to whether Samsung's new design products infringe the '752 patent?
6. If a determination were to be made on the basis of the present record, would the evidence show that Samsung's new design products infringe the '752 patent? In answering this question, the parties may take note of but should not reiterate arguments made previously to the Commission regarding the construction of the claims at issue.
7. If the Commission were to conclude that SanDisk has failed to carry its burden of proving that Samsung's new design products infringe the '752 patent, what would be the

preclusive effect, if any, of this finding of non-infringement both at the Commission and in a federal district court?

8. In the absence of any consent or settlement agreement between the parties, does the Commission have the authority to impose a certification requirement on the importation of Samsung's new product designs where the ALJ declined to determine whether these products infringe the '752 patent?

In connection with the final disposition of this investigation, the Commission may issue (1) an order that could result in the exclusion of the subject articles from entry into the United States, and/or (2) cease and desist orders that could result in respondents being required to cease and desist from engaging in unfair acts in the importation and sale of such articles. Accordingly, the Commission is interested in receiving written submissions that address the form of remedy, if any, that should be ordered. If a party seeks exclusion of an article from entry into the United States for purposes other than entry for consumption, the party should so indicate and provide information establishing that activities involving other types of entry either are adversely affecting it or likely to do so. For background, see the Commission Opinion, In the Matter of Certain Devices for Connecting Computers via Telephones Lines, Inv. No. 337-TA-360.

If the Commission contemplates some form of remedy, it must consider the effects of that remedy upon the public interest. The factors the Commission will consider include the effect that an exclusion order and/or cease and desist orders would have on (1) the public health and welfare, (2) competitive conditions in the U.S. economy, and (3) U.S. production of articles that are like or directly competitive with those that are subject to investigation, and (4) U.S. consumers. The Commission is therefore interested in receiving written submissions that address the aforementioned public interest factors in the context of this investigation.

If the Commission orders some form of remedy, the President has 60 days to approve or disapprove the Commission's action. During this period, the subject articles would be entitled to enter the United States under a bond, in an amount determined by the Commission and prescribed by the Secretary of the Treasury. The Commission is therefore interested in receiving submissions concerning the amount of the bond that should be imposed.

WRITTEN SUBMISSIONS: The parties to the investigation are requested to file written submissions on the issues under review. The submissions should be concise and thoroughly referenced to the record in this investigation, including references to specific exhibits and testimony. Additionally, the parties to the investigation, interested government agencies, and any other interested parties are encouraged to file written submissions on the issues of remedy, the public interest, and bonding. Such submissions should address the March 5, 1997, recommended determination by the ALJ on remedy and bonding. Complainant and the Commission investigative attorneys are also requested to submit proposed remedial orders for the Commission's consideration. The written submissions and proposed remedial orders must be filed no later than close of business on April 28, 1997. Reply submissions must be filed no later than

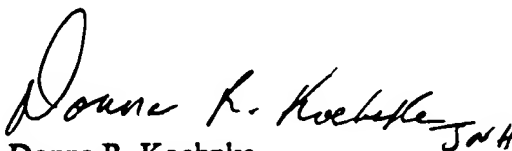
the close of business on May 5, 1997. No further submissions will be permitted unless otherwise ordered by the Commission.

Persons filing written submissions must file with the Office of the Secretary the original document and 14 true copies thereof on or before the deadlines stated above. Any person desiring to submit a document (or portion thereof) to the Commission in confidence must request confidential treatment unless the information has already been granted such treatment during the proceedings. All such requests should be directed to the Secretary of the Commission and must include a full statement of the reasons why the Commission should grant such treatment. *See* 19 C.F.R. § 201.6. Documents for which confidential treatment by the Commission will be treated accordingly. All nonconfidential written submissions will be available for public inspection at the Office of the Secretary.

This action is taken under the authority of section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337) and sections 210.45-210.51 of the Commission's Rules of Practice and Procedure (19 C.F.R. §§ 210.45-210.51).

Copies of the public version of the ID and all other nonconfidential documents filed in connection with this investigation are or will be available for inspection during official business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 500 E Street, S.W., Washington, D.C. 20436, telephone 202-205-2000. Hearing-impaired persons are advised that information can be obtained by contacting the Commission's TDD terminal on 202-205-1810.

By order of the Commission.


Donna R. Koehnke
Secretary

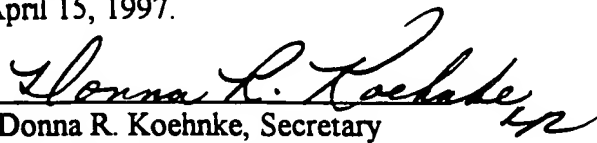
Issued: April 15, 1997

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337-TA-382

PUBLIC CERTIFICATE OF SERVICE

I, Donna R. Koehnke, certify that the attached Notice of Commission Decision To Review Portions of an Initial Determination, Not To Review The Remainder of The Initial Determination, and Schedule For Filing Of Written Submissions On The Issues Under Review and On Remedy, The Public Interest, and Bonding was served upon Carl P. Bretscher, Esq.; and the following parties via first class mail, and air mail where necessary, on April 15, 1997.


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